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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
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RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 4647  
RUEHBJ/AMEMBASSY BEIJING 2451  
RUEHKO/AMEMBASSY TOKYO 2316  
RUEHIT/AMCONSUL ISTANBUL 2895  
RHEHNSC/NSC WASHDC  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUEHVEN/USMISSION USOSCE 3190  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000023

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SUBJECT: TURKMENISTAN: HOW MUCH WILL THE RUSSIANS PAY FOR  
GAS IN 2009?

REF: A. 08 ASHGABAT 1644

[1](#)B. 08 ASHGABAT 1643

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

[1](#)1. (C) SUMMARY: There has been no confirmation in Ashgabat that the 2009 price for gas sales to Russia has been set. Moreover, notwithstanding past Gazprom statements about paying "European prices" in 2009, practical considerations suggest that a figure in the USD 300 per tcm range would be excessive. Current fluctuations in the energy markets have no doubt complicated the negotiation process. As Turkmenistan and Gazprom press their respective advantages, an agreed price might await President Berdimuhamedov's March trip to Moscow. END SUMMARY.

NO CONFIRMATION OF THE GAS PRICE TO RUSSIA

[1](#)2. (C) Since Russian Prime Minister Putin's mention on December 31 that Russian gas purchases in Central Asia in 2009 would cost USD 340 per 1,000 cm, there has been no confirmation in Ashgabat that such is the agreed price. Turkmen sources have been silent on the issue. It appears that Gazprom has also not officially confirmed an agreed price, although Russian media has reported a Gazprom source for a price of USD 300 during the first quarter of 2009.

HOW MUCH IS A "EUROPEAN PRICE?"

[1](#)3. (C) Early in 2008, Gazprom announced that it would pay Central Asia producers "European prices" beginning in 2009. A specific price was not set at that time, nor have details about the progress of negotiations leaked. The proposed formula for setting a "European price" remains unknown, although presumably there would be a linkage to oil prices that would lower the price for gas when oil prices fell. As a local Gazprom official mentioned, it is possible that in place of a fluctuating price, the Turkmen would push for a fixed price to avoid the potential that a formula-based price

could mean a fall in their revenues (Ref A).

A USD 340 TCM PRICE NOT REALISTIC UNDER CURRENT CONDITIONS

14. (C) The local representative of an international oil company (IOC) did not think the Russians and Turkmen have agreed on a price, despite Putin's statement. He noted that Gazprom CEO Alexey Miller was in Ashgabat on December 25, but that following his meeting with the Oil and Gas Deputy Chairman Tachberdi Tagyev, no mention was made that a gas price had been set (Ref A). According to the IOC rep, when oil prices were high earlier in 2008, the European "netback" price to the Central Asians, minus transit and tariff charges, could have reached USD 280 per 1,000 cm, but that currently lower oil prices should also push the price of gas lower. He felt that Putin's remark about a USD 340 price did not reflect a binding commitment, but rather was used expeditiously in making a case for higher gas prices for Ukraine. In his opinion, the lack of any official announcement about the Turkmen gas price, combined with President Berdimuhamedov's planned trip to Moscow in March (Ref B), suggest that the 2009 gas price remains to be determined.

15. (C) COMMENT: While it is possible that the gas price paid by the Russians in 2009 will increase significantly over the 2008 level of USD 150 tcm, a USD 340 price seems unrealistically steep in light of current market conditions and the lack of an export alternative. Reaching a price agreement that takes into account fluctuating energy prices

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and the Turkmen desire to have both maximum and stable revenue would explain the difficulty in setting a 2009 price.

Add to the mix President Berdimuhamedov's practice of making all key decisions himself, and it could well be March before agreement is reached. END COMMENT.

MILES